

Effective HRD Sub-system Facilitates and Increase the Productivity of Employees: A Descriptive Study on Indian Banking Sector

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ABSTRACT

In the era of globalization, liberalization and privatization on economic front, organizations are expected to make objective assessment of existing status of their HRD system and processes in order to evolve need based HRD Agenda for the future. Almost all the selected sub-system has been found to be moderately effective. HR Productivity has also been found to be confined only to moderate level. The selected HRD sub-systems, concerns of various investors for HRD cause and the selected management styles have been found to have significant impact on HR effectiveness. Such findings of the study indicate that in order to improve the level of HR effectiveness, there exists a strong need of continuous improvement in design and implementation of HRD subsystems also in level of concerns of various investors, as well as in practice of the management styles. Objective of this study was to find out the relation between HRD sub-system used by the banks and how they affect the performance of the employees and the practices adopted by the management to improve the productivity. Research is based on earlier researches and case studies need to be taken up as it will give right direction in order to formulate action strategies for the future.

Keywords: Banking System, Human resource development

I. INTRODUCTION

Banking Industry is the highest contributor in Indian economy. Approximately 26.5% contribution is to be generated through banking sector from the total service sector. As Mr. Mukherjee (Former Finance Minister) said that an economy can develop when their will be an effective banking system and the services of the banks will be reachable to every single people of the country. Human Resource plays a vital role while delivering the immense services. Human resource is the only competitive advantage of the any industry which cannot be imitated by the others industry. In banks Human resource is the most reachable approach while delivering and provide value to

the customers. The productivity of human resource will enhance the productivity of the banking industry. So it is very necessary to provide the effective inputs of Human resource development to enhance the productivity. There is various sub system of human resource development are there and by effective use of that the productivity of the employees can increase and this industry contribute more to the economic development of the country.

II. BANKING INDUSTRY OF INDIA

The Rs 64 trillion (US\$ 1.17 trillion) Indian banking industry is governed by the Banking Regulation Act of India, 1949 and is closely monitored by the Reserve Bank of India (RBI). Public sector banks account for 70 per cent of the Indian banking assets. But there lies immense opportunity for growth for global players, private bankers and investors as there is still a huge unbanked population in India that needs to be tapped. According to data from National Payments Corporation of India, the number of ATMs in the country had reached 98,025 by the end of April 2012 of which about 70 per cent of the deployment has been in urban areas. Public sector banks have also decided set-up 60, 000 more ATMs across the country over 2012-14. According to RBI data, banking through mobiles increased five-fold to Rs 1,140.6 crore (US\$ 207.61 million) during January-May 2012 as against the value of Rs 209 crore (US\$ 38.04 million) in January-May 2011. The RBI has recently released its 'Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks', December 2011, which states that Nationalized Banks, as a group, accounted for 52.1 % of the aggregate deposits, while State Bank of India (SBI) and its associates accounted for 21.9 %. The share of New Private Sector Banks, Old Private Sector Banks, Foreign Banks, and Regional Rural Banks in aggregate deposits was 13.9 %, .8 %, 4.5 % and 2.9 %, respectively. Nationalized Banks held the highest share of 51.2 % in the total gross bank credit followed by SBI and its associates at 22.5 per cent

and New Private Sector Banks at 13.8 %. Foreign Banks, Old Private Sector Banks and Regional Rural Banks had relatively lower shares in the total bank credit at 5.2 %, 4.8 % and 2.5 %, respectively. Banks' credit grew 1.2 % in April-June 2012, while deposits expanded by 1.9 %, according to another statement released by RBI. The RBI projects credit growth at 17 % and deposit growth at 16 % in 2012-13.

TABLE 1: Scheduled Commercial Banks Operating In India

S.No.	Nationalized Banks	Old Private Sector Banks	New Private Sector Banks	Foreign Banks
1	Allahabad Bank Ltd.	Catholic Syrian Bank Ltd.	Axis Bank Ltd.	Abu Dhabi Commercial Bank
2	Andhra Bank Ltd.	City Union Bank Ltd.	Development Credit Bank Ltd.	American Express Bank
3	Bank of Baroda Ltd.	Dhanalakshmi Bank Ltd.	HDFC Bank Ltd.	Bank International Indonesia
4	Bank of India Ltd.	Federal Bank Ltd.	ICICI Bank Ltd.	Bank of America NA
5	Bank of Maharashtra Ltd.	ING Vysya Bank Ltd.	IndusInd Bank Ltd.	Bank of Ceylon
6	Canara Bank Ltd.	Jammu and Kashmir Bank Ltd.	Kotak Mahindra Bank Ltd.	Bank of Nova Scotia (Scotia Bank)
7	Central Bank of India Ltd.	Karnataka Bank Ltd.	Yes Bank Ltd.	Bank of Tokyo Mitsubishi UFI
8	Corporation Bank Ltd.	Karur Vysya Bank Ltd.		Barclays Bank PLC
9	Dena Bank Ltd.	Lakshmi Vilas Bank Ltd.		BNP Paribas
10	IDBI Bank Ltd.	Nainital Bank Ltd.		Calyon Bank
11	Indian Bank Ltd.	Ratnakar Bank Ltd.		Chinatrust Commercial Bank
12	Indian Overseas Bank Ltd.	SBI Commercial and International Bank Ltd.		Citibank N.A.
13	Oriental Bank of Commerce Ltd.	South Indian Bank Ltd.		DBS Bank
14	Punjab and Sind Bank Ltd.	Tamilnad Mercantile Bank Ltd.		Deutsche Bank AG
15	Punjab National Bank Ltd.			HSEC
16	Syndicate Bank Ltd.			JPMorgan Chase Bank
17	UCO Bank Ltd.			Krung Thai Bank
18	Union Bank of India Ltd.			Mashreq Bank psc
19	United Bank of India Ltd.			Mizuho Corporate Bank
20	Vijaya Bank Ltd.			Royal Bank of Scotland
21	State Bank of Bikaner and Jaipur Ltd.			Shinhan Bank
22	State Bank of Hyderabad Ltd.			Société Générale
23	State Bank of India Ltd.			Sonali Bank
24	State Bank of Mysore Ltd.			Standard Chartered Bank
25	State Bank of Patiala Ltd.			State Bank of Mauritius
26	State Bank of Travancore			UBS

Source:

http://finance.indiamart.com/investment_in_india/schedule_d_commercial_banks.html

III. LITERATURE REVIEW

According to the Hudson report (2008) the critical HR challenges are hiring right staff, retaining talent, cutting staff, staff development, salary inflation, external threats, etc. the other challenges are Changing working conditions, re-skilling, compensation etc. SWOT analysis indicates number of strengths and opportunities to grow in the competitive direction. However, the weakness and threats are also serious and need attention immediately.

SWOT Analysis of Indian Banks (In HR Context)

Strengths	WEAKNESSES
<ul style="list-style-type: none"> High skilled personnel in middle and low levels in the banks. Aggression towards the development of the existing standards Strong regulatory impact by central bank to all banks for implementation Presence of intellectual capital to face the change in implementation with good quality 	<ul style="list-style-type: none"> Poor technology infrastructure Presence of more number of smaller banks that would likely to be impacted adversely. Poor compensation system Poor talent management.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> Availability of fresh talent to strengthen the Bank operations. Increasing risk manage expertise. Need significant connection among business, credit & risk management and information technology 	<ul style="list-style-type: none"> Inability to meet additional capital requirements. Huge investment in technologies. Entrance of foreign banks to capture talent HR. Increasing the cost of human capital.

Source: Jagannath Mishra & Pankaj Kumar Kalawatia: Basel II: Challenges Ahead of the Indian Banking Industry 2008

Gelade and Ivery (2003) found in retail banks that the correlations between climate and performance cannot be explained by their common dependence on HRM factors, and that the data are consistent with a mediation model in which the effects of HRM practices on business performance are partially mediated by work climate. Bartel (2004) studied the relationship between human resource management and establishment performance of employees. P.Jyothi and V. Sree Jyothi, 2007 stated that the major challenge faced by banks today is to protect the falling margins due to the impact of competition. Another significant impact of banks today is the use of technology. Mangaleswaran and Srinivasan 2008 found that Public Sector Banks in both countries practice HRM but the extent of practices vary from one another. Further, the results show a number of similarities and differences in HRM systems of Sri Lankan and Indian public sectors Banks. Dinkar Rao, 2006 suggested that dealing with human resource issues is the key to making the regional rural banks fulfill their original mandate of serving the rural poor. Anil K. Khandelwal, 2005 opined that Public sector banks have successfully implemented many reform measures in the last decade. Errol D'Souza, 2002 has suggested that Financial systems that are bank-based such as in Germany and Japan employ an internal strategy of managing human resources via job ladders and screening whereas in market-based systems such as in the UK and the US an external strategy where recruiting and laying off occurs as demand changes and market signals help set wages. India is a bank-based system that in the organized sector till recently followed the internal strategy of managing employment. Farhana Ferdousi, Sumayya Begum, Mohammad Amzad Hossain Sarker, 2012 examined the impact of specific HRM practices such as training & development (TD), fair treatment (FT), leave &

vacation (LV), career development (CD), and reward (R) on employee attitude. The findings suggest that average employees' attitude regarding the practice of HRM by the observed organization is greater than neutral which indicates that most of the medical promotion officers have positive attitude regarding training, leave and vacation, career development opportunities and rewards provided by the company. There is a positive and significant relationship between HRM practices and employee attitude. Satwinder Singh, Tamer K. Darwish, Ana Cristina Costa, Neil Anderson, 2012 provided a schematic model portraying the intricate nature of internal and external factors. They subsequently provide an integrated framework of factors in order to measure HRM practices' effects on OP. Syed Saad Hussain Shah, Robina Yasmin, Sidra Waris, Ahsan Raza Jaffari. Jabran Aziz and Wasiq Ejaz, 2011 in their study focused on the importance of most vital of HR dimensions and HR outcome leading to organizational performance.

IV. RESEARCH METHODOLOGY

The Research is based upon secondary data and the results and findings are supporting by the previous research.

V. RESEARCH OBJECTIVES

- To find out that how HRD Sub System (Training and Development, Performance Appraisal, etc...) affect the productivity of the employees.
- To find out that whether effective implementation of HRD Subsystem are prevailing in Indian Banks

VI. FINDINGS AND CONCLUSION

After analysis of various researches it has been found that in Indian banking are lacking in effective implementation of HRD Sub System. The study lends a hand to a call to put more focus of performance evaluation research on performance improvement. As predicted, attitude toward performance evaluation is positively related to linkage between consequences and targeted performance, coaching and perceived performance management effectiveness. Moreover, linkage between consequences and targeted performance is positively related to coaching. Thus, the results suggest that although performance management and performance evaluation are not the same things, employee's attitudes toward performance evaluation can highly affect their attitudes toward performance management effectiveness. Furthermore, to enhance positive perception of performance evaluation, showing linkage between consequences and targeted performance and coaching are important. Especially, linkage between consequences and targeted performance can highly influence perceived performance management effectiveness through its indirect paths. Like several past research revealed that most

proximal to the HR practices, "employee outcomes" deal with the consequences of the practices on employees such as their attitudes and behavior, particularly behaviors such as absenteeism and turnover. Less proximal, "organizational outcomes" focus on more operational measures of performance such as productivity, quality, and shrinkage; many or all of which would be precursors to profitability. Even more distal, "financial/accounting outcomes" refer to the actual financial performance measures such as expenses, revenues, and profitability. Finally and most distal to the HR practices, "market-based outcomes" were those reflecting how the financial markets valued a firm, particularly stock price or variations of it. Previous result proposed that these outcomes represented a causal order; HR practices impacted employee outcomes, which consequently influenced organizational outcomes, thereby affecting financial outcomes, ultimately resulting in market-based outcomes.

The study demonstrates that HR practices are strongly related to future performance, but that they are also strongly related to past performance, causing caution in making any causal inferences. While one could accurately interpret our results as showing HR practices to be part of a "high performance" organization, they certainly do not provide proof that these practices cause that high performance. Consequently, our study points to the need to design and conduct studies that are better able to examine the extent to which implementing progressive HR practices will result in improved operating and financial performance. Such research will provide for decision makers a more convincing business case for the need to properly manage human resources

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